

# **FISCAL YEAR 2010-11 BUDGET STUDY SESSION**

**February 23, 2010**

# PURPOSE OF TONIGHT'S MEETING

- Preliminary review of potential GOF expenditure reductions to assist in balancing the FY10-11 budget
- One of the prongs of a “three-prong” budget balancing strategy:
  - Expenditure reductions
  - Expenditure growth containment
  - Revenue enhancement
- Present areas of potential expenditure reductions
- Respond to questions
- Identify areas for additional information

# INTRODUCTION

- City is relatively financially sound
- Need to take actions to avoid a challenge evolving into a crisis
- GOALS:
  - Avoid multiple years of budget reductions
  - Avert a growing structural deficit that will become increasingly more difficult to manage
  - When economy “recovers” to have the GOF stabilized (not required to continue to make service reductions)

# FY10-11 BUDGET PROCESS/ SCHEDULE

- Modified process and schedule
- Accelerated schedule/iterative process
- Why? – More time for the Council, Community and staff to engage in the tough decision making process to address an estimated \$5.0M GOF structural deficit

# FY10-11 BUDGET PROCESS/ SCHEDULE

- Steps so far:
  - June 23, 2009 Study Session
  - September 29, 2009 Study Session
  - November 4 & 7, 2009 Community Budget Briefings: Budgeting 101 and City services
  - January 26, 2010 Budget Workshop: Strategy, approach and principles
  - February 9 Staff Report: Confirmation of January 26<sup>th</sup> results
  - February 23 Study Session: Potential expenditure reductions
  - Outreach: Web, *View*, email notifications

# FY10-11 BUDGET PROCESS/ SCHEDULE

- Steps going forward:
  - March: “Revenue Prong” / responses to questions on potential expenditure reductions
  - April/May: Special & Utility Funds and CIP and Review of recommended budget
  - June: Budget public hearings and adoption

# BALANCING THE FY09-10 GOF BUDGET

FY09-10 Projected Budget Deficit	\$ (5,837)
Unfunded 15.25 City positions	1,528
Transferred \$1.0 M Civic Center Debt	1,019
Reduction in services and supplies	614
Salary savings for non-safety vacant positions	300
Reduction in new capital equipment funding	200
Fee modifications	190
Compensation cost containment (+FY10-11 \$852,000)	<u>377</u>
Budget balanced with reserves/Structural Deficit	\$ (1,609)

(Dollars in Thousands)

# CURRENT STATUS OF THE FY09-10 GOF BUDGET

	2009-10 <u>Adopted</u>	2009-10 <u>Mid-Year</u>	2009-10 <u>Estimated</u>
Revenues	\$ 86,657	85,816	85,816
Expenditures	<u>88,590</u>	<u>88,590</u>	<u>84,895</u>
Balance (Deficit)	(1,933)	(2,774)	921
Additional Expenditures	(2,321)	(2,321)	(2,321)
Est. Budget Savings	<u>2,645</u>	<u>2,645</u>	<u>Included</u>
Structural Deficit	\$ (1,609)	(2,450)	
Use of Reserves	(1,609)		(1,400)
(Dollars in Thousands)			



# PROJECTED FY10-11 GOF BUDGET

	2010-11 <u>Forecast</u>
Revenues	\$ 86,093
Expenditures	<u>91,087</u>
Balance (Deficit)	\$ (4,994)

(Dollars in Thousands)

# FY10-11 PROJECTED DEFICIT

FY09-10 Structural Deficit	\$ (1,609)
FY09-10 Revenue Decline	<u>(841)</u>
Carryover Structural Deficit	\$ (2,450)
FY09-10 Est. Budget Savings/Additional Expenditures, Net	(325)
FY10-11 Revenue increase	277
Compensation and Benefit Increase	(2,285)
Services and Supplies (not including additional nondiscretionary expenditures)	(167)
Liability Self-Insurance	<u>(44)</u>
FY10-11 Projected Budget Deficit	\$ (4,994)

(Dollars in Thousands)

# WHY ARE WE LOOKING AT THESE TYPES OF REDUCTIONS?

- Significant expenditure reductions already taken in previous years
- Reductions with the fewest impacts on the public and service levels have essentially been exhausted
- Goal has been to attempt to maintain service levels with less resources
- Many service areas cannot make further cuts without reducing internal and external service levels

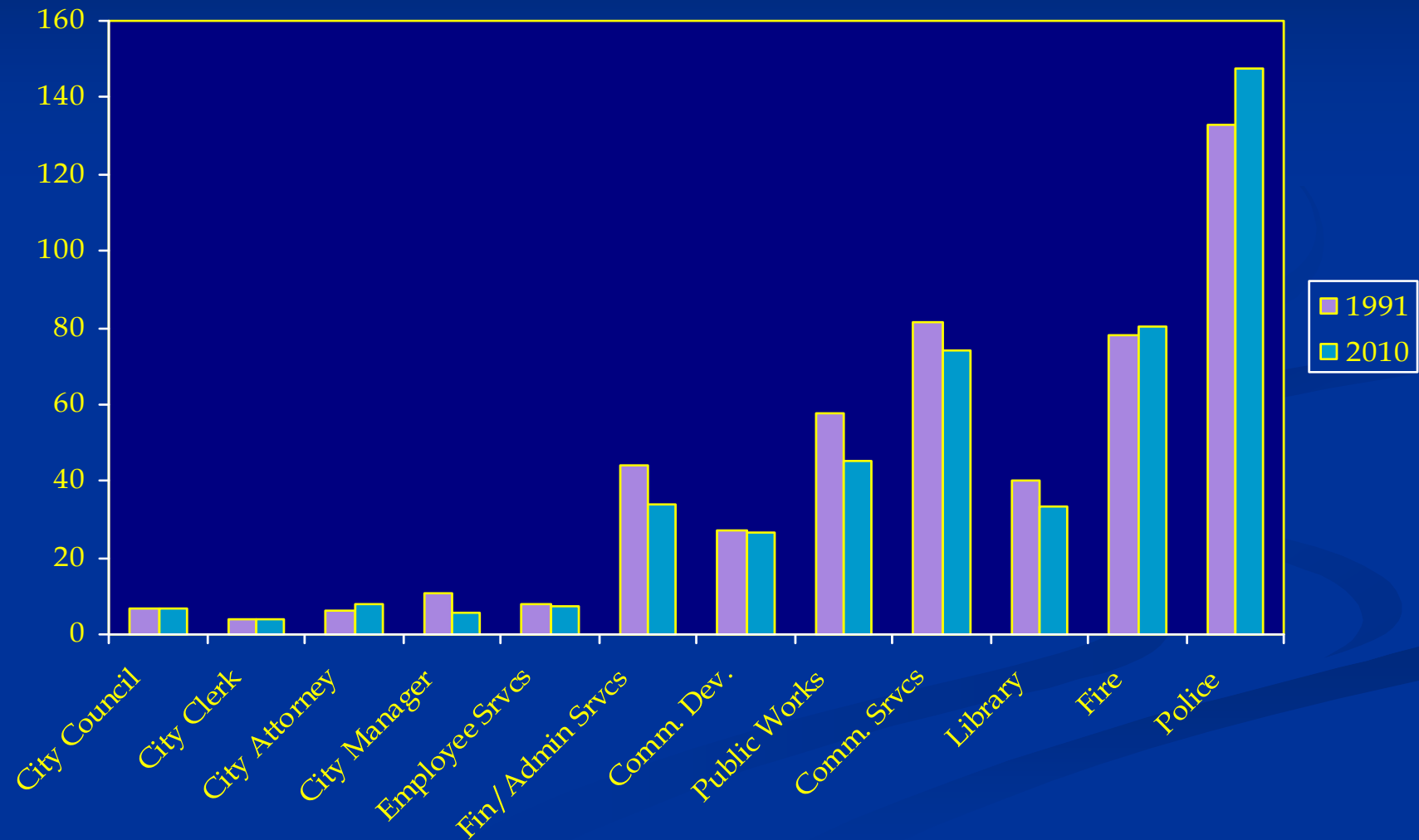
# PREVIOUS REDUCTIONS

- FY02-03 through FY05-06
  - Reduced expenditures \$10.8 M (\$7.0 M depts.)
  - Reduced 66.25 positions (58.5 GOF)
  - Adjustment to fees \$ 2.5 M
- FY09-10
  - Reduced expenditures \$4.0 M (\$2.2 M depts.)
  - Reduced 15.25 positions (12.25 GOF)
  - Adjustment to fees \$190,000
  - Use of \$1.6 M in Reserves
- Total
  - Reduced expenditures \$14.8 M (\$9.2 M depts.)
  - Reduced 81.5 positions (70.75 GOF)
  - Adjustment to fees \$2.7 M

# PREVIOUS REDUCTIONS (cont.)

- What we have done & what the results have been
  - Flattened the organization and achieved organizational efficiencies by...
    - Eliminating management and supervisory positions
    - Eliminating clerical/support/analytical positions
  - Reduced Planning staff
  - Reduced Parks/Streets Maintenance
  - Reduced Facilities/Vehicle Maintenance
  - Reduced Performing Arts staff
  - Reduced Library staff and services
- Structurally balanced budget maintained up until FY09-10

# LONG-TERM STAFFING CHANGE GOF



# PRIOR DEPARTMENT REDUCTIONS - GOF

<u>Department</u>	<u>Net Reductions since FY02-03</u>	<u>%</u>
City Manager	\$ 386	27.9%
City Clerk	125	26.0%
Finance & Admin. Services	1,343	20.1%
Employee Services	225	17.2%
Library Services	702	16.5%
Public Works	1,307	15.4%
Community Development	344	12.7%
Community Services	1,279	12.5%
City Council	26	11.1%
City Attorney	124	10.4%
Police	916	4.6%
Fire	<u>259</u>	2.2%
Total	\$ 7,036	
(Dollars in Thousands)	Average Reductions	14.7% <sub>15</sub>

# COST SAVINGS/EFFICIENCIES TO REDUCE PROJECTED FY10-11 STRUCTURAL DEFICIT

- Recommended to be considered as “givens” (no reduction in service levels):
  - Renegotiated purchasing contracts: \$ 100,000
  - PERS prepayment: 170,000
  - Police Department reorganization: 512,000
  - Revenue Manager reallocation: 68,000
  - EMS Coordinator position to half-time: 70,000
  - Fuel costs: 25,000
  - Total \$ 945,000



# PROPOSED PRINCIPLES

- Preservation of public health, safety and infrastructure
- Prioritize preservation of core services that benefit the common good and cannot be readily accessed in another way
- Distinguish between essential service elements and customer service amenities in considering reductions in the Police and Fire Departments' budgets
- Continue to meet Federal, State and local regulatory requirements and mandates to the extent feasible
- Focus reductions on discretionary services Mountain View provides that other cities do not
- Preserve future talent in the City organization where possible

# PROPOSED PRINCIPLES

## (cont.)

- Protect internal services that support the efficiency of, and are essential to, the provision of City operations
- Consider the magnitude and impact of department reductions in prior fiscal years
- No expansion of City services without identified revenue sources
- Charge a fair price to access City services that serve targeted populations and not the community as a whole, distinguishing between residents and nonresidents
- Achieve meaningful, long-term savings in compensation and benefits that are shared equally among all City employees

# PROPOSED PRINCIPLES

## (cont.)

- Achieve a balanced, sustainable budget that incorporates departmental reductions, new fees and permanent employee cost containment
- Maintain sufficient reserves
- Consider high-potential employee cost-saving and revenue suggestions
- Provide sufficient time for community and employee engagement
- Identify longer-term strategies to contain costs and generate revenue, including evaluation of alternative approaches to service delivery

# POTENTIAL GLOBAL BUDGET BALANCING STRATEGIES

- Wholesale water rate for City operations \$300,000
- Public Agency Retirement Service (PARS) for hourly employees +/- \$100,000
- Nonprofit Agency funding Up to \$272,000

# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

## City Clerk

- Reduce Customer Service and City Council Support: \$45,000

## City Attorney

- Reduce Code Enforcement Services by 50.0 percent: \$125,000

## City Manager

- Reduce Multilingual Outreach Program: \$12,800
- Restructure the City Manager's Office/  
Employee Services Dept: \$42,200 to \$150,000

# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

## Employee Services

- Reduce Capacity in Recruitment and Training Support: \$62,000

## Finance & Administrative Services

- Reduce Contractual Services Funding: \$79,800
- Reduce Internal Support Services: \$116,700

## Community Development

- Reduce Resources for Planning Services: \$277,500
- Transfer Admin Support to Building Fund: \$24,500

# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

## Public Works

- Reorganize the Admin Support and Transportation Sections: \$189,200
- Reduce Street Maintenance Operation: \$33,100
- Reduce Land Development Support: \$50,000
- Reduce Traffic Engineering Support: \$20,000
- Reduce Facilities Maintenance Services: \$168,400
- Eliminate Dedicated Graffiti/Shopping Cart Abatement Program: \$54,700



# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

## Community Services

- Reduce Admin Support: \$99,000
- Discontinue City Participation in Deer Hollow Farm: \$110,000
- Reduce Ranger Contract Services, Overtime, Supplies and Reallocate Positions: \$111,700
- Eliminate Dedicated Weed Abatement Program: \$105,200
- Reduce Downtown & Roadway Landscape Maintenance: \$119,000



# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

## Community Services (cont.)

- Reduce Tree Trimming Cycles or Eliminate Maintaining City Street Trees Behind Sidewalks: \$264,000 to 325,000
- Reduce Center for Performing Arts Client Technical Support Services and Frequency of *Preview* Magazine Mailings: \$99,800

# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

## Library

- Reduce Materials Budget: \$50,000
- Eliminate General Operating Fund  
Support of Mobile Library Service: \$97,000
- Reduce Public Services and Programs: \$93,000
- Reduce Library Hours: \$150,000

## Fire

- Reduce Fire Outreach/Education/Media: \$121,800

# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

## Police

- Reduce Community Services Officer  
Staffing: Up to \$785,300
- Reduce Police Assistant Staffing: \$142,100
- Reduce Records Section Staffing: \$343,600
- Eliminate Police Athletic League (PAL)  
Staffing: \$25,000
- Reduce Administrative Support: \$99,000

# POTENTIAL DEPARTMENT SERVICE AND OPERATING COST REDUCTIONS

- Total of all items: \$3.3 M to \$4.3 M
- Total potential positions 37.0 FTE (35.4 GOF)
  - Filled 23.5 FTE (2.0 expected retirements)
  - Vacant 13.5 FTE (including 3.0 Police Dept. reorganization)

# LONGER-TERM BUDGET BALANCING STRATEGIES

## Expenditures

- Containing the growth of enhanced/new services
- Containing the growth in annual compensation cost increases
- Deferring Capital Improvement Projects requiring increased maintenance and operating costs
- Workers' Compensation insurance program administration
- Additional organizational functional consolidations/reorganizations

# LONGER-TERM BUDGET BALANCING STRATEGIES

## Expenditures (cont.)

- Containing of long-term benefit cost increases
  - PERS: +\$5.5M (GOF) over next 3 years
  - Retirees' Health Insurance:
    - Liability grew from \$21.0M in 2001 to \$66.6M in 2009
    - City contributed \$12.0M lump sum from FY00-01 to FY09-10 in addition to \$12.6M in cumulative annual payments for the GOF
    - Annual GOF payment obligation has grown from pay as you go of \$392,000 to an actuarial required contribution of \$3.7M

# LONGER-TERM BUDGET BALANCING STRATEGIES

## Expenditures (cont.)

- Alternative service delivery models
- Fire Department minimum staffing requirement

## Revenues

- Economic Development
- Lighting and Landscape District
- Downtown Maintenance District
- Voter-approved Tax Measure

# NEXT STEPS

## March

- Revenue policy and specific revenue increase options
- Additional information on expenditure alternatives
- Capital Improvement Program

## April/May

- Refinement of budget alternatives
- Utility and Special Fund budget preview
- Council policy direction
- City Manager recommended budget

## June

- Budget public hearings (final decisions)